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C O N F I D E N T I A L SECTION 01 OF 04 DUSHANBE 001803

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SUBJECT: SCENESETTER FOR A/S BOUCHER'S VISIT TO DUSHANBE

CLASSIFIED BY: Tracey Ann Jacobson, Ambassador, U.S. Embassy
Dushanbe, STATE.

REASON: 1.4 (d)

¶1. (U) Embassy Dushanbe welcomes Assistant Secretary Boucher back to Tajikistan. This visit will be a good opportunity for you to build upon your May meetings in Dushanbe and give an extra push for better conduct one month before the presidential election.

¶2. (C) The U.S.-Tajikistan bilateral relationship remains positive overall, but we have seen some troubling signs particularly in the democratic development arena. Your visit exactly one month ahead of the November 6 presidential election is prime time to highlight problems with a one-sided election, the downward trend in treatment of non-governmental organizations, and problems in the business environment. Tajikistan remains a strong cooperative partner on issues of border security and the war against terror and we hope to use this success to leverage improvements in other areas. (See suggested talking points, paras 7, 10, 13, 15, 19.)

NOVEMBER 6 PRESIDENTIAL ELECTION

¶3. (SBU) The State Department's Bureau of Democracy, Human Rights and Labor recently granted the International Foundation for Election Systems an additional \$300,000. Through the efforts of this foundation, the Embassy, the Organization for Security and Cooperation in Europe and the United Nations Tajikistan Office of Peacebuilding, the Central Commission for Elections and Referenda has taken significant steps forward changing election protocols to more closely approach international standards, issuing uniform manuals and training polling station workers.

¶4. (C) Despite small technical steps forward, the political playing field is wildly unbalanced. The "opposition" political parties-- the Democratic Party of Tajikistan, the Social Democratic Party of Tajikistan and the Islamic Renaissance Party of Tajikistan-- are not fielding or supporting candidates for the election. The Democratic Party of Tajikistan and Social Democratic Party of Tajikistan publicly criticize Rahmonov and his government, calling his presidency illegal and unconstitutional, and refuse to recognize the November 6 election. The rest of the parties are pocket parties -- pro-governmental parties who put forth candidates for the effect of pluralism -- or are too weak to have a serious impact.

Central Asia's only Islamic political party, the Islamic Renaissance Party of Tajikistan, is in a vulnerable position after the recent death of its leader, Said Abdullo Nuri. A government smear campaign over the years since the civil war has led much of the public to believe that the Islamic Renaissance Party of Tajikistan could become a violent force of instability.

Knowing that the Islamic Renaissance Party of Tajikistan will not win in the election and not wanting to further the opposition stereotype, Muhiddin Kabiri, the present chairman, has said that his party will take a hiatus to revamp its image and build its base in preparation for parliamentary elections in three years.

¶15. (SBU) The Office for Democratic Institutions and Human Rights (ODIHR) plans on sending in long term observers and 100 short term observers for the election. Its observation mission's report could be a map for future election improvements. We expect the parallel Commonwealth of Independent States observer team will not provide as useful a critique of the election process. We must remember that in a country like Tajikistan, democratic progress can be slow and the international community needs to remain vigilant and engaged.

¶16. (C) Controversial laws have also been sidelined until after the election. History shows that leaders tend to tighten the reigns after they consolidate power, and it is possible Rahmonov may gain the confidence to adopt more authoritarian policies after his expected landslide victory.

¶17. (C) Suggested talking points:

-- As a popular leader, you have a real opportunity to conduct a fair election--you don't need to falsify results. We appreciate you and other senior government leaders making public

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statements calling for a fair election. This message needs to be delivered to the local levels.

-- We hope that all candidates will have greater access to the media and equal exposure.

-- We are concerned about continuing harassment of journalists leading up the election and a recent order from your government asking internet service providers to shut down all websites critical of the government.

A DOWNWARD TREND FOR EXCHANGE PROGRAMS AND THE NON GOVERNMENTAL ORGANIZATION CLIMATE

¶18. (C) Although Tajikistan does have a vibrant civil society, we remain concerned about an apparent trend against foreign-sponsored non governmental organizations. The most recent victim is Mercy Corps where an expat had to leave following a "poison pen" letter and pressure from the Ministry of Justice. The Mercy Corps problem falls into a pattern of certain ministries pressuring or harassing U.S.-funded non governmental organizations, including National Democratic Institute, International Research and Exchanges Board, Internews and the American Bar Association Central European and Eurasian Law Initiative.

¶19. (C) We would like to increase U.S.- Tajik exchanges exponentially. Tajik government officials and religious and civil society leaders regularly and eagerly call for opportunities to send their young people to the United States. However, we are disappointed that Embassy and U.S. non governmental organization exchange programs have faced obstacles. The president has reportedly put a moratorium on all official travel abroad leading up to election and the International Research and Exchanges Board has recently been informed they are not permitted to begin recruiting for Muskie or U-GRAD educational exchange programs until after January 2007.

¶10. (C) Suggested talking points:

-- The climate for international non governmental organizations continues to concern us. Non governmental organizations are still harassed by certain ministries and refused registration.

-- The National Democratic Institute remains unregistered and Internews has not been able to reregister. We hope that you will register them so that their employees can continue to carry out good work for the people of Tajikistan.

-- The Ministry of Foreign Affairs has told the International Research and Exchange Board to delay recruitment until next year. We know the emphasis you place on education and ask you to support our efforts to send students to the United States, not postpone them.

BUSINESS CLIMATE: BUYER BEWARE

¶11. (C) Tajikistan officials regularly and publicly state they want foreign investors to bring money to Tajikistan to develop their energy, textiles, and other industries. However, a recent survey showed that 85% of Tajiks think corruption is the main factor hindering economic growth, while Transparency International ranks Tajikistan as one of the most corrupt countries in the world. Officials point to their transparent laws on investment but the government regularly sidesteps these rules at every level. Tajiks pay bribes for jobs, education, and services. Foreign and domestic investors face the uncertainty of a non-working judicial sector that cannot back up contracts. Our economic assistance programs and others including the World Bank can help. At a certain level the Tajiks recognize this and have been cooperating.

¶12. (SBU) Your discussions on this issue will provide a suitable opening to address the case of Gerald Metals whose contract dispute with Tajik aluminum giant TadAZ remains bogged down in legal proceedings. A similar case against TadAZ by Norsk Hydro led to the largest ever political risk insurance settlement, making large investors more shy than ever about investing in Tajikistan. Failure to resolve the Gerald Metals case would further deteriorate Tajikistan's investment

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reputation.

¶13. (C) Suggested talking points:

-- The U.S.-funded Pyanj bridge project is evidence of our support for economic development and regional integration. The bridge is set for completion in June 2007, and will help develop commercial ties between Tajikistan and Afghanistan.

--- Through a variety of assistance projects, including the transmission line feasibility study, programs for small and medium businesses, and banking sector projects, we are supporting Tajik economic development.

-- However, Tajikistan needs to do better to rid itself of the Soviet legacy of corruption. In order to attract Western investment, especially in Tajikistan's energy sector, the government needs to increase transparency, introduce regulatory reform and respect for rule-of-law and sanctity of contracts.

-- Gerald Metals: What are the prospects for resolution?

BORDER SECURITY: A CORNERSTONE OF ASSISTANCE

¶14. (C) Border security and counter-narcotics continue to be cornerstones in our bilateral relationship. The Tajiks appreciate our assistance and are more than willing partners in law enforcement and border security. We regularly facilitate training for Tajik military and uniformed personnel and exchanges to the United States and the Marshall Center. We continue to renovate and equip outposts along the Afghan border.

We have a Harris radio team that will help install a new communications system, allowing the border guards to be more

effective. This new communications system is the first of its kind in the region and will link all security ministries facilities and headquarters with state of the art interconnectivity.

¶15. (SBU) Suggested talking points:

-- Congratulation on your excellent drug interdiction rates. We will need to continue to support these efforts as the amount of opium Afghanistan produces and exports increases. Tajikistan bears an important task in a dangerous neighborhood.

THE ENERGY OF THE SHANGHAI COOPERATION ORGANIZATION

¶16. (C) At the September 15-16 Shanghai Cooperation Organization meeting here in Dushanbe, China claims to have kept the discussions well within what we consider positive parameters, focusing on economic cooperation first and foremost, although China and Tajikistan also completed their first joint military exercises in the Tajik mountains. China announced a host of cultural and educational initiatives aimed at building trust here. Public comment -- and we have not heard otherwise -- from Russia and Tajikistan underlines that countries in the region will try to use the Shanghai Cooperation Organization mainly for economic purposes.

¶17. (C) There has been rampant speculation about the make-up and direction of the proposed "Shanghai Cooperation Organization Energy Club", which may become an important mechanism, but would only be one of many fora discussing regional energy issues. With a cold winter of energy shortages approaching, Tajikistan is laser-focused on negotiating with Uzbekistan on natural gas imports to keep some electricity running in Tajikistan to heat the countryside. Tajikistan hopes the Shanghai Cooperation Organization can help them leverage Uzbekistan on energy issues in the future; the Uzbek side has shown no interest in helping its neighbor, however. In the long-term, Tajikistan may try to develop its latent coal, oil, and natural gas resources. Also, the new United States Agency for International Development Regional Energy Market Assistance Program (REMAP) is designed to help the region form a functioning energy market. In the short-term, rationing and stockpiling for the winter has already begun.

¶18. (C) Overall, Tajikistan has taken a healthy approach to China. We agree with the International Monetary Fund and others that the \$637 million Chinese loan for Tajik infrastructure projects will bring positive economic development and increased

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trade and investment opportunities. Partnering with China reduces Tajikistan's reliance on Uzbekistan and Russia for its overall needs, while also reducing our own leverage here. China possesses the advantage of tremendous resources combined with rapid implementation. With ink still wet on the investment loan agreements, the Chinese have begun work on road and energy projects. By contrast, Tajiks increasingly view the U.S. as slow-moving, and are frustrated with our lack of public financial support for new energy projects. The Minister of Energy recently complained that U.S. company AES is behind schedule in completing its feasibility study of a north-south transmission line. With hydropower, the Tajiks are looking to whoever can construct dams fastest. Russian giant RusAl has staked its claim on Rogun but continues to drag its feet on agreement of financial and technical terms with Tajikistan. The Tajiks will also bring up the Dhasti-Jhum dam project, which has huge potential. Rahmonov will likely ask for our assistance in developing this project, perhaps funding a feasibility study.

¶19. (C) Suggested talking points:

-- The U.S. supports Tajikistan's plans for development of its extensive hydropower resources, and we will provide whatever technical and coordination support we can. U.S. company AES remains interested in investing in the hydropower sector.

-- The U.S. appreciates Tajikistan's support for regional energy development projects that will help its neighbor, Afghanistan, such as the transmission lines to be constructed next year.

-- We look forward to the upcoming regional energy conference in Dushanbe at the end of October as a means to discuss future energy cooperation.

JACOBSON